

TARIFF ACTION MEMORANDUM

File No. TA484-1

Date: April 16, 2020
Date Filed: March 13, 2020
Statutory End Date: April 27, 2020

Utility: Alaska Electric Light & Power Company

Description: Quarterly COPA and SFPPR Update

Synopsis of Filing:

Alaska Electric Light & Power Company submits its quarterly Cost of Power Adjustment and Small Facility Power Purchase Rate update for the period beginning April 1, 2020.

Tariff Recommendation:

The Commission should approve Tariff Sheet Nos. 131, 169, and 170, filed March 13, 2020, by Alaska Electric Light & Power Company with TA484-1, as shown on the attached side-by-side tariff sheets (Appendix 1). The effective date of the tariff sheets should be April 1, 2020.

Reason(s) for the above-indicated recommendation: See attached memorandum.

Signed: Steven Jones Title: Utility Tariff Analyst
Steven Jones

Commission decision regarding this recommendation:

	Date (if different from 4/16/2020)	<u>I CONCUR</u>	<u>I DO NOT CONCUR</u>	<u>I WILL WRITE A DISSENTING STATEMENT*</u>
Pickett	<u>4/15/2020</u>	<u>RMP</u>		
McAlpine		<u>SM</u> SM		
Scott		<u>AGS</u> AGS		
Sullivan		<u>DS</u> DS		
Wilson		<u>JW</u> JW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

STATE OF ALASKA
The Regulatory Commission of Alaska
701 West 8th Ave., Suite 300
Anchorage, Alaska 99501-3469

M E M O R A N D U M

To: Robert M. Pickett, Chairman
Stephen McAlpine
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: April 16, 2020

From: Steven Jones, Utility Tariff Analyst

Subject: TA484-1, Alaska Electric Light & Power Company
Quarterly COPA and SFPPR Update

STATEMENT OF CASE

Alaska Electric Light & Power Company (AEL&P) submits its quarterly Cost of Power Adjustment (COPA) and Small Facility Power Purchase Rate (SFPPR) update for the period beginning April 1, 2020.

RECOMMENDATION

The Commission should approve Tariff Sheet Nos. 131, 169, and 170, filed March 13, 2020, by AEL&P with TA484-1, as shown on the attached side-by-side tariff sheets (Appendix 1). The effective date of the tariff sheets should be April 1, 2020.

BACKGROUND

AEL&P is a privately held electric utility supplying electric energy to the City and Borough of Juneau, Alaska. The majority of AEL&P's energy is purchased from the Snettisham hydroelectric generation facility through a purchase power agreement with the Alaska Industrial Development and Export Authority.¹ AEL&P credits its COPA balancing account for interruptible sales to Princess Cruise Line, Inc. (Princess), true-up of revenues for Hecla Greens Creek Mining Company (Greens Creek), and for excess margins on interruptible sales.²

¹ The Snettisham Hydroelectric Project provides approximately 80% of the Juneau-Douglas area electrical energy. See State of Alaska, (2011). Retrieved from

<http://www.aidea.org/Programs/InfrastructureDevelopment/SnettishamHydroelectricProject.aspx>

² See AEL&P Tariff Sheet No. 168, effective November 15, 2017, at 2, 3, 6, and 7.

AEL&P now submits its quarterly COPA and SFPPR update for the period beginning April 1, 2020. In accordance with historic Commission practice, a publication notice was not issued for TA484-1.³

ANALYSIS

COPA Decrease (Tariff Sheet Nos. 169 and 170)

The Commission evaluates proposed revisions to the COPA surcharge under 3 AAC 52.504, which requires each proposed COPA revision to include information supporting entries in the COPA balancing account for the historical period, and support for projections for the future period.⁴

The calculation of AEL&P's COPA consists of three parts. The first part includes a three-month estimate of kWh sales and power costs. AEL&P submitted supporting documentation for the period of April through June 2020. The second part includes a three-month estimate of Princess interruptible sales,⁵ true-up of sales for Greens Creek,⁶ and excess margins on interruptible sales.⁷ The final part includes documentation for the actual balancing account entries for December 2019 through February 2020 and AEL&P's estimated balancing account at March 31, 2020.⁸ AEL&P provided actual usage, generation, cost, and sales data for the period of December 2019 through February 2020, including invoices and spreadsheets supporting the balancing account entries.

³ One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411..." This allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

⁴ See 3 AAC 52.504(g), *Filing Requirements for Electric Utilities*. This support includes invoices, records, reports, calculations, contracts and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

⁵ See Letter Order No. L0100520, issued May 30, 2001. The Commission approved a special contract between AEL&P and Princess Cruise Lines (Princess) for interruptible power. At the same time the Commission approved a revision to AEL&P's COPA methodology allowing the company to return all of the revenues received through the sale of electricity to Princess under the special contract to its firm customers. Also see Letter Order No. L1600147, issued March 29, 2016. The Commission approved an extension of the special contract between AEL&P and Princess. See Letter Order No. L1600335, issued July 8, 2016, updating the formula for Lake Dorothy energy.

⁶ See Order No. U-10-029(15), issued September 2, 2011, at pp 28-30. In months when sales to Greens Creek do not equal the monthly revenue of \$554,480, firm ratepayers will make up the difference, while in months when sales to Greens Creek exceed \$554,480, firm ratepayers will enjoy a reduction in rates. See Order No. U-16-086(1), issued October 31, 2016, at pp 9. That order approved increasing the retained revenue amount to \$9,569,673 per year, or \$797,473 per month. See Order U-16-086(6), issued November 15, 2017, at the pp 4 of the appendix. The Commission accepted a stipulation that reduced the retained revenue amount from \$9,569,673 to \$8,715,173 or from \$797,473 to \$726,264 per month. See Letter Order No. L1600145, issued March 29, 2016. The Commission approved Amendment No. 1 to the special contract with Greens Creek to incorporate a credit entry to the COPA equal to the total number of kWhs of interruptible diesel energy sold to Greens Creek multiplied by the energy charge for that service.

⁷ AEL&P makes excess non-firm hydroelectric energy from Snettisham available to customers at a price competitive with No. 2 fuel oil generation. See AEL&P Tariff Sheet Nos. 122-127 (schedule 25) and 142-148 (schedule 95). Under AEL&P's current COPA methodology, AEL&P calculates margins in excess of the allowed gross operating margins and credits any excess margins to the cost of power balancing account. See AEL&P Tariff Sheet No. 168, effective November 15, 2017.

⁸ See Order No. U-83-088(1). Effective November 1, 1983, AEL&P began using a COPA rather than a Fuel Cost Rate Adjustment.

AEL&P proposes a COPA surcharge of \$0.019277/kWh, which is a decrease from the currently approved COPA surcharge of \$0.021536/kWh. Table 1 shows the effect of the proposed COPA on a sample average residential customer billing for 850 kWh of usage.⁹

TABLE 1

Sample Residential Customer Billing - 850 kWh Usage				
Line	Description	Current Rates	Proposed Rates	Change from
1	COPA Surcharge (\$/kWh)	\$ 0.021536	\$ 0.019277	\$(0.002259)
2	850 KWH CUSTOMER BILL			
3	Customer Charge	\$ 8.60	\$ 8.60	\$ -
4	Energy Charge \$0.0951/kWh	\$ 80.84	\$ 80.84	\$ -
5	COPA	\$ 18.31	\$ 16.39	\$ (1.92)
6	RCC @ \$0.000593/kWh	\$ 0.50	\$ 0.50	\$ -
7	Total Customer Bill	<u>\$ 108.24</u>	<u>\$ 106.32</u>	<u>\$ (1.92)</u>

Factors that may affect the calculation of AEL&P's COPA include the previous period's balancing account balance, generation efficiency, projected diesel fuel costs, variances in the sales to Princess, revenue true-up for Greens Creek, and excess margins on sales to interruptible dual fuel customers. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the surcharge. The proposed decrease in AEL&P's COPA is driven primarily by:

- (1) An increase in projected fuel costs. The projected fuel costs increased from \$78,088 to \$155,011.¹⁰ The projected cost of fuel per unit decreased from \$2.4720 per gallon to \$2.4692 per gallon and the projected quantity of fuel increased from 31,589 gallons to 62,778 gallons.¹¹ The overall effect is an increase in projected fuel costs, which places upward pressure on the COPA surcharge.
- (2) A decrease in the estimated balancing account balance. The estimated balancing account balance decreased from \$2,132,598 to \$1,681,427.¹² The decrease in the estimated balancing account balance is due to a decrease in the actual balancing account and more revenue in the estimated period.¹³ This decrease in the estimated balancing account balance places downward pressure on the COPA surcharge.

⁹ AEL&P currently has 17,308 customers that will be impacted by the change in the COPA. See tariff advice letter for TA484-1, at page 1.

¹⁰ See Appendix 1, AEL&P Tariff Sheet No. 169, at (e)(1).

¹¹ *Ibid.*

¹² See Appendix 1, AEL&P Tariff Sheet No. 170, at 5.

¹³ *Id.*, at Kilowatt Sales.

- (3) A decrease in projected kWh sales. The projected kWh sales decreased from 96,831,569 kWh to 75,362,281 kWh.¹⁴ This decrease results in the projected costs being spread over a smaller number of kWh, placing upward pressure on the COPA surcharge.
- (4) An increase in revenue from forecasted interruptible sales to Princess. The forecasted interruptible sales revenue increased from \$0 to \$294,991.¹⁵ This increase in revenues places downward pressure on the COPA surcharge.
- (5) A decrease in forecasted excess margins from interruptible sales. The margins from interruptible sales decreased from \$125,282 to \$88,670.¹⁶ This decrease results in fewer revenues being collected from interruptible sales, which places upward pressure on the COPA surcharge.

The increase in projected fuel costs, decrease in projected sales, and decrease in forecasted excess margins from interruptible sales places upward pressure on the COPA surcharge; this is offset by the downward pressure from the decrease in the estimated balancing account balance and the increase in revenue from forecasted sales to Princess. The overall effect is a decrease to AEL&P's COPA surcharge.

The revisions proposed in TA484-1 did not include a change in methodology or new cost element, and as such, AEL&P implemented the proposed surcharge on April 1, 2020, in accordance with 3 AAC 52.504(b).¹⁷ Staff has reviewed all information and calculations filed in support of TA484-1, and verified that AEL&P provided all required information. Staff confirmed that the proposed surcharge was calculated accurately using AEL&P's approved methodology, and the tariff sheets are correct.¹⁸ Therefore, Staff recommends the Commission approve Tariff Sheet Nos. 169 and 170.

SFPPR Increase (Tariff Sheet No. 131)

AEL&P's tariff provides that its SFPPR rate is calculated by dividing the cost of diesel fuel consumed during the previous three months by the kilowatt hours produced by diesel generation in the same previous three months. This rate is effective when AEL&P is using diesel fuel to generate electricity.¹⁹

AEL&P proposes an SFPPR of \$0.2754/kWh, which is an increase from the currently approved SFPPR of \$0.2026/kWh. Staff has verified the proposed SFPPR was calculated

¹⁴ See Appendix 1, AEL&P Tariff Sheet No. 170, at 7.

¹⁵ See Appendix 1, AEL&P Tariff Sheet No. 169 at (e)2.

¹⁶ See Appendix 1, AEL&P Tariff Sheet No. 169, at 3.

¹⁷ 3 AAC 52.504(b) states that an electric utility may implement a COPA filing that does not include a new methodology or cost element immediately upon filing with the Commission, although the COPA filing is subject to subsequent review, adjustment, and approval by the Commission.

¹⁸ Side-by-side tariff sheets are attached as Appendix 1.

¹⁹ See Appendix 1, Tariff Sheet No. 131.

accurately, using AEL&P's approved methodology, and that the tariff sheet is correct. Therefore, Staff recommends the Commission approve Tariff Sheet No. 131.

CONCLUSION

With TA484-1, AEL&P requests approval of its revised COPA and SFPPR for the period beginning April 1, 2020. Staff has verified the proposed surcharge and rate were calculated accurately using AEL&P's approved methodology, the proper support was filed, and the tariff sheets are correct. Therefore, Staff recommends the Commission approve Tariff Sheet Nos. 131, 169, and 170, filed March 13, 2020, by AEL&P with TA484-1. The effective date of the tariff sheets should be April 1, 2020.

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Stephen McAlpine (Apr 15, 2020)

Email: stephen.mcalpine@alaska.gov

Signature: 

Email: antony.scott@alaska.gov

Signature: 
Dan Sullivan (Apr 15, 2020)

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Signature: 

Email: janis.wilson@alaska.gov

RCA No. 1 84th Sheet No. 131
Canceling 83rd Sheet No. 131

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STATE OF ALASKA
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Alaska Electric Light and Power Company

Schedule No. 44
Purchase of Energy from a Qualifying Facility
with a design capacity of 100 kilowatts or less

Applicable to: Qualifying power production facilities with a design capacity of 100 KW or less.

Rates: The rates reflected below are based on the cost of energy which Alaska Electric Light and Power Company (AELP) will avoid by virtue of its interconnection with qualifying facilities of 100 kW or less.

Rate A: This rate shall be effective at all times that energy available from AELP-owned hydro generators and the Snettisham hydroelectric facility is sufficient to meet all AELP customers' firm energy requirements.

Avoided = Incremental Cost of firm energy per kilowatt-hour
Energy Cost from Snettisham

Avoided = \$0.0 per kilowatt-hour
Energy Cost

Rate A = \$0.0 per kilowatt-hour

Rate B: With the exclusion of exceptions listed, this rate shall be effective when AELP is using diesel fuel to generate electricity. However, diesel generation for maintenance and testing purposes of two hours or less per day will not cause this rate to become effective.

		Cost of Diesel fuel consumed during previous 3 months	
Avoided	=	-----	
Energy Cost		Kilowatt-hours produced by diesel generation - previous 3 months	
		\$310,424.55	I
Avoided	=	-----	
		1,532,000	I
Rate B	=	\$0.2026 per kilowatt-hour	R

These rates will be adjusted in conjunction with quarterly Cost of Power Adjustment filings.

Effective January 1, 2020

Tariff Advice No. 482-1

Issued by Alaska Electric Light and Power Company

By  Title Chief Financial Officer

RCA No. 1 85th Sheet No. 131
Canceling 84th Sheet No. 131



Regulatory Commission
of Alaska

Alaska Electric Light and Power Company

Schedule No. 44
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Rate A: This rate shall be effective at all times that energy available from AELP-owned hydro generators and the Snettisham hydroelectric facility is sufficient to meet all AELP customers' firm energy requirements.

Avoided = Incremental Cost of firm energy per kilowatt-hour
Energy Cost from Snettisham

Avoided = \$0.0 per kilowatt-hour
Energy Cost

Rate A = \$0.0 per kilowatt-hour

Rate B: With the exclusion of exceptions listed, this rate shall be effective when AELP is using diesel fuel to generate electricity. However, diesel generation for maintenance and testing purposes of two hours or less per day will not cause this rate to become effective.

		Cost of Diesel fuel consumed during previous 3 months	
Avoided	=	-----	
Energy Cost		Kilowatt-hours produced by diesel generation - previous 3 months	
		\$37,457.74	R
Avoided	=	-----	
		136,000	R
Rate B	=	\$0.2754 per kilowatt-hour	I

These rates will be adjusted in conjunction with quarterly Cost of Power Adjustment filings.

Effective April 1, 2020

Tariff Advice No. 484-1

Issued by Alaska Electric Light and Power Company

By  Title Chief Financial Officer

RCA No. 1 83rd Sheet No. 169
Canceling 82nd Sheet No. 169

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of Alaska

Alaska Electric Light and Power Company

Schedule No. 98 (continued)

d. Revision of Cost of Power Adjustment

(1) By the 15th of the month preceding the beginning of each calendar quarter, the utility will, by tariff advice letter, file the Determination of Cost of Power Adjustment detailed in (e.) to reflect the change in the average fuel cost for the ensuing calendar quarter and to reflect other approved credits or debits as set forth in (c.). The filing shall include such supporting data and work papers as the Regulatory Commission considers appropriate to support the computation.

(2) The revised Cost of Power Adjustment will be effective for all billings subsequent to the revision date, subject to subsequent review and adjustment by the Regulatory Commission. Revision dates will coincide with the beginning of the monthly billing cycle for each calendar quarter.

e. Determination of the Cost of Power Adjustment:

(1) Current cost of fuel:

Energy Source	Estimated Purchases	Cost per Unit (B)	Total (A x B)	
Diesel	31,589 gal			I
Fuel	344,000 kwh	\$2.4720	\$ 78,088	IRI
Total cost of fuel			\$ 78,088	I

(2) Forecasted Princess Cruise Lines Interruptible Sales (January 1, 2020 - March 31, 2020)				T
Kilowatt hour sales:	0			-
X Kwh rate	\$ 0.116668	\$ 0		-
Estimated 0% Power Factor Penalty	0		(\$ 0)	-

(3) Forecasted Excess Margins on Interruptible Sales (January 1, 2020 - March 31, 2020)				T
Estimated Amount			(\$125,282)	R

Effective January 1, 2020

Tariff Advice No. 482-1

Issued by Alaska Electric Light and Power Company

By  Title Chief Financial Officer

RCA No. 1 84th Sheet No. 169
Canceling 83rd Sheet No. 169

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Schedule No. 98 (continued)

d. Revision of Cost of Power Adjustment

(1) By the 15th of the month preceding the beginning of each calendar quarter, the utility will, by tariff advice letter, file the Determination of Cost of Power Adjustment detailed in (e.) to reflect the change in the average fuel cost for the ensuing calendar quarter and to reflect other approved credits or debits as set forth in (c.). The filing shall include such supporting data and work papers as the Regulatory Commission considers appropriate to support the computation.

(2) The revised Cost of Power Adjustment will be effective for all billings subsequent to the revision date, subject to subsequent review and adjustment by the Regulatory Commission. Revision dates will coincide with the beginning of the monthly billing cycle for each calendar quarter.

e. Determination of the Cost of Power Adjustment:

(1) Current cost of fuel:

Energy Source	Estimated Purchases	Cost per Unit (B)	Total (A x B)	
Diesel	62,778 gal			I
Fuel	680,000 kwh	\$2.4692	\$ 155,011	IRI
Total cost of fuel			\$ 155,011	I

(2) Forecasted Princess Cruise Lines Interruptible Sales (April 1, 2020 - June 30, 2020)				T
Kilowatt hour sales:	2,528,462			I
X Kwh rate	\$ 0.116668	\$294,991		-I
Estimated 0% Power Factor Penalty	0		(\$294,991)	-R

(3) Forecasted Excess Margins on Interruptible Sales (April 1, 2020 - June 30, 2020)				T
Estimated Amount			(\$ 88,670)	I

Effective April 1, 2020

Tariff Advice No. 484-1

Issued by Alaska Electric Light and Power Company

By  Title Chief Financial Officer

RCA No. 1 82nd Sheet No. 170
 Canceling
 81st Sheet No. 170

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Alaska Electric Light and Power Company

Schedule No. 98 (Continued)

(4) True-up of Greens Creek Revenue variance for the period September 1, 2019 - November 30, 2019		T
Included in Balance as of November 30, 2019, in item (5) below		T
(5) Balance of Cost of Power Account (at November 30, 2019)	2,734,300	I T
Estimated entries to Cost of Power Account December 1 - 31, 2019:		T
Diesel Generation 148,000 kwh	34,746	II
Kilowatt hour sales: 31,377,718 kwh		I
December 2019 x 0.018916	(593,541)	TPR
Forecasted Excess Margins	(42,907)	R
Estimated interruptible sales - Princess Cruise Lines (including power factor penalty)	(0)	-
Estimated Balance - Cost of Power Account (at December 31, 2019)	2,132,598	TI
(6) Total of (1) - (5) above	2,085,404	I
(7) Estimated Kwh sales (January 1, 2020 - March 31, 2020)	96,831,569	I T
(8) Cost of Power Adjustment (6)/(7) per kilowatt-hour	\$0.021536	I

f. Cost of Power Balance Report

The Company shall file a report on the status of the Cost of Power Balance Account by the 15th day of the month preceding the beginning of each calendar quarter. This report shall include:

- (1) The unit prices, volumes and total costs of fuel purchased as well as KWH generated by unit;

Effective January 1, 2020

Tariff Advice No. 482-1

Issued by Alaska Electric Light and Power Company

By Title Chief Financial Officer

RCA No. 1 83rd Sheet No. 170
 Canceling
 82nd Sheet No. 170

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Schedule No. 98 (Continued)

(4) True-up of Greens Creek Revenue variance for the period December 1, 2019 - February 29, 2020		T
Included in Balance as of March 31, 2020, in item (5) below		T
(5) Balance of Cost of Power Account (at February 29, 2020)	2,378,396	R T
Estimated entries to Cost of Power Account March 1 - 31, 2020:		T
Diesel Generation 36,000 kwh	6,585	RR
Kilowatt hour sales: 30,957,970 kwh		I
April 2020 x 0.021536	(666,711)	TIR
Forecasted Excess Margins	(36,843)	I
Estimated interruptible sales - Princess Cruise Lines (including power factor penalty)	(0)	-
Estimated Balance - Cost of Power Account (at March 31, 2020)	1,681,427	TR
(6) Total of (1) - (5) above	1,452,777	R
(7) Estimated Kwh sales (April 1, 2020 - June 30, 2020)	75,362,281	R T
(8) Cost of Power Adjustment (6)/(7) per kilowatt-hour	\$0.019277	R

f. Cost of Power Balance Report

The Company shall file a report on the status of the Cost of Power Balance Account by the 15th day of the month preceding the beginning of each calendar quarter. This report shall include:

- (1) The unit prices, volumes and total costs of fuel purchased as well as KWH generated by unit;

Effective April 1, 2020

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